

BEFORE THE DEPARTMENT OF REVENUE
OF THE STATE OF MONTANA

In the matter of the adoption of New) NOTICE OF PUBLIC HEARING ON
Rule I pertaining to filing) PROPOSED ADOPTION
requirements for pass-through)
entities with more than 100 partners)

TO: All Concerned Persons

1. On November 5, 2014, at 10:30 a.m., the Department of Revenue will hold a public hearing in the Third Floor Reception Area Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana, to consider the proposed adoption of the above-stated rule. The conference room is most readily accessed by entering through the east doors of the building.

2. The Department of Revenue will make reasonable accommodations for persons with disabilities who wish to participate in this public hearing or need an alternative accessible format of this notice. If you require an accommodation, please advise the department of the nature of the accommodation needed, no later than 5 p.m. on October 20, 2014. Please contact Laurie Logan, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or e-mail lalogan@mt.gov.

3. The rule as proposed to be adopted provides as follows:

NEW RULE I ELECTRONIC RETURNS REQUIRED FOR PARTNERSHIPS
HAVING MORE THAN 100 MEMBERS (1) Effective for tax years beginning after December 31, 2013, a partnership having more than 100 partners over the course of its tax year must electronically file a Montana Partnership Information and Composite Return (Form PR-1), using department-approved e-filing tax software.

(2) For purposes of this rule, the more than 100-partner threshold shall be considered satisfied if a partnership, on any one day over the course of the year, has more than 100 partners. For example:

(a) Partnership A has 95 partners on January 1, 2014. On April 1, 2014, ten new partners acquire partnership interests in Partnership A so that there are 105 total partners. On August 1, 2014, one of Partnership A's partners acquired the interests of ten partners which reduced the total number of partners to 95. Partnership A must file its Form PR-1 electronically because over the course of the tax year, the partnership had more than 100 partners.

(3) A partnership may request a waiver of the electronic filing requirement if the partnership can demonstrate that compliance with the requirement would cause an undue hardship.

(4) To request a waiver, the partnership must complete and timely submit a Partnership e-File Waiver Request form to the department along with the required supporting information as detailed on the form at least 30 days prior to the partnership's return due date including extensions. Examples of the supporting

information include, but are not limited to, a description of the hardship, the incremental costs, and the steps to be taken to ensure the partnership's ability to file future returns electronically.

(5) A waiver request may not be submitted with the partnership's return or with a request for an extension for filing the partnership's return.

(6) Within 25 days after receipt of a waiver request provided for in (3), the department shall either approve or deny the request.

AUTH: 15-1-201, 15-30-3315, MCA

IMP: 15-30-2602, 15-30-3302, 15-30-3315, MCA

REASONABLE NECESSITY: The department proposes adopting New Rule I to implement Senate Bill 179, L. 2013, which revised the filing requirements for pass-through entities. Specifically, the new law requires partnerships with more than 100 partners to file electronically and provides for a waiver of this requirement in certain situations.

4. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted to: Laurie Logan, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or e-mail lalogan@mt.gov and must be received no later than November 12, 2014.

5. Laurie Logan, Department of Revenue, Director's Office, has been designated to preside over and conduct this hearing.

6. The Department of Revenue maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request, which includes the name and e-mail or mailing address of the person to receive notices and specifies that the person wishes to receive notice regarding a particular subject matter or matters. Notices will be sent by e-mail unless a mailing preference is noted in the request. A written request may be mailed or delivered to the person in 4 above or faxed to the office at (406) 444-3696, or may be made by completing a request form at any rules hearing held by the Department of Revenue.

7. An electronic copy of this notice is available on the department's web site at revenue.mt.gov. Select the Administrative Rules link under the Other Resources section located in the body of the homepage, and open the Proposal Notices section within. The department strives to make the electronic copy of this notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered. While the department also strives to keep its web site accessible at all times, in some instances it may be temporarily unavailable due to system maintenance or technical problems.

8. The bill sponsor contact requirements of 2-4-302, MCA, apply and have been fulfilled. The primary sponsor of Senate Bill 179, Senator Christine Kaufmann, was contacted by regular mail on March 25, 2014, and subsequently notified on September 12, 2014.

9. With regard to the requirements of 2-4-111, MCA, the department has determined that the adoption of the above-referenced rule will not significantly and directly impact small businesses

/s/ Laurie Logan

Laurie Logan
Rule Reviewer

/s/ Mike Kadas

Mike Kadas
Director of Revenue

Certified to the Secretary of State September 29, 2014.